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**Supplementary Report on Legislative Changes
for the Customs Law of Jordan –
Intellectual Property Right Issues**

Final Report
May 2005

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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Abstract

During the last few years, the USAID-funded AMIR Program made many recommendations for change to the Customs Law of Jordan. These recommendations have been acted upon and legislation is now being considered by the Legislation Bureau to be assessed before going to Parliament at its next sitting.

IBLAW has raised concerns that the legislative changes do not reflect sufficiently Jordan's commitment under the Jordan-United States Trade Agreement on border enforcement of intellectual property rights. In particular, there is some concern that Customs does not have the express power to act *ex officio* to institute criminal proceedings against the importers of counterfeit goods at the border. However, if the draft Law were to be withdrawn now to enable that a further amendment be included, this could jeopardize the timely passage of the legislation.

This report:

- 1 Comments on the issues
- 2 Recommends the preferred way to deal with the issue

The report is based on the author's previous research and discussions with Mohammad al Jaloudi, Director, Legal Department, Jordan Customs Department on 24 May 2005 and Nancy Dababneh, IBLAW Consultant, on 25 May 2005.

Acronyms

IPR	Intellectual property right
JUSFTA	Jordan-US Free Trade Agreement
TRIMS	Trade-Related Aspects of Intellectual Property Rights
WTO	World Trade Organisation

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Executive Summary

In February 2005, AMIR Program legal consultant Mark Harrison completed a study on the legislative reforms required to enable the Customs Law of Jordan to give effect to the recommendations of various AMIR reports. These recommendations were acted upon very quickly by Jordan Customs Department and a significant package of legislative changes was presented to the Legislation Bureau for assessment. If the Bureau supports the package, it will be referred to the Prime Minister for inclusion in the next sitting of the Parliament. This could be as early as this summer, if the King convenes an Extraordinary Sitting of the Parliament. Otherwise, it will be during the autumn session (October/November 2005).

IBLAW has raised concerns that the legislation may not adequately cover the provisions of the Jordan-US Free Trade Agreement (JUSFTA), which require both countries to undertake ex officio border protection measures to intercept counterfeit and pirated goods and to institute criminal proceedings. These provisions are in addition to those allowing the intellectual property right (IPR) holder to ask Customs to intervene to suspend the clearance of pirated and counterfeit goods pending the obtaining of a court order as to how those goods are to be dealt with.

Ex officio action is a very important element of IPR protection, as it gives the Customs administration the power to seize goods that otherwise could only be seized if there were a referral by the IPR holder, and gives the authorities power to institute criminal proceedings. It is therefore highly desirable that there be powers vested in the relevant authorities under national legislation (but not necessarily the Customs Law) to seize goods and prosecute offenders.

The present situation is that there appears to be adequate coverage in the law of the power to seize goods, and adequate power to institute criminal prosecutions in relation to copyright, but not sufficient power in relation to criminal prosecutions for trademarks breaches. This suggests that legislative reform is needed.

However, it is also crucial to the reform of Customs that the legislative amendments relating to trade facilitation be passed at the earliest opportunity. USAID, through the AMIR Program, has pushed Customs hard for the legislation to be passed as soon as possible, and Customs has made significant progress towards doing so. The former Director General has thrown his personal support behind the legislation. Any withdrawal of the legislation could jeopardise its passage, and postpone reform by as much as 12 months. This would not be a desirable result as it could also weaken Customs' confidence in USAID through the AMIR Program.

There are two issues at stake here:

- 1 Does the existing Customs law fail to achieve the requirements of the JUSFTA and therefore need amendment?

- 2 If so, is there an alternative way to deal with the problem that would not delay the passage of the legislation already in the pipeline?

To assist with the resolution of this issue, I have prepared an opinion based on discussions with Customs and with the Consultants who have raised the issue, IBLAW. The opinion is attached at Annex A.

Its conclusions can be summarized as follows:

- 1 Customs has the power to take ex officio seizure action against imported goods that are in breach of the IPR laws.
- 2 Importers of goods in breach of the Copyright Law can be prosecuted by the National Library under that law.
- 3 There is no legislative power to prosecute importers of goods in breach of the Trademark Law.
- 4 The Government needs to determine as a matter of policy whether the prosecution of importers of illegal trade marks goods is a matter to be dealt with by the Industrial Property Protection Directorate in the Ministry of Trade and Industry as the lead agency under the Trademark Law or by Customs under the Customs Law.
- 5 Legislative change should follow the proper consideration of this issue by the Government, not precede it.
- 6 There is a real prospect that the legislation now with the Legislation Bureau could pass the Parliament in the middle of this year and come into force by the end of 2005.
- 7 Withdrawing the legislation now could risk delaying its eventual passage for so long that the impetus for reform could be lost.
- 8 To urge withdrawal of the legislation now would cause a loss of confidence in USAID through the AMIR Program within Customs.

For these reasons, I recommend that USAID, through the AMIR Program, advise Customs to proceed with the legislative package in its present form. The AMIR Program should also follow up with the relevant agencies to reach a decision on the best way to deal with the issue of prosecution of trademarks offenders. This should be the subject of separate legislation.

Introduction

In February 2005, the author completed a study on the legislative reforms required to enable the Customs Law of Jordan to give effect to the recommendations of various AMIR Program reports. The Jordan Customs Department acted upon these recommendations very quickly and a significant package of legislative changes was presented to the Parliament.

IBLAW raised concerns that the legislation may not adequately cover the provisions of Article 4, Clause 26 of the Jordan-United States Free Trade Agreement (JUSFTA) that requires both countries to undertake *ex officio* measures to seize and dispose of counterfeit and pirated goods, and to create criminal offences for persons importing pirated and counterfeit goods. These provisions are in addition to those allowing the intellectual property right (IPR) holder to ask Customs to intervene to suspend the clearance of pirated and counterfeit goods pending the obtaining of a court order as to how those goods are to be dealt with. The provisions go beyond the general commitments that Jordan has made as a member of the World Trade Organisation (WTO) under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. Under TRIPS, such measures are not mandatory. Under the JUSFTA they are mandatory.

In particular, IBLAW argues that the current law is deficient in that there is nowhere in Jordanian legislation a provision that provides for the criminal prosecution of importers who have imported goods in breach of the Trademark Law.

To overcome this omission, IBLAW proposed that the package of legislation before the Legislation Bureau should be added to, with new amendments introduced to provide express powers to Customs to initiate prosecutions in relation to trademarks goods.

It is the view of the Jordan Customs Department that there are already sufficient powers available to Customs to enable them to meet the border protection requirements of the JUSFTA (Article 4, clause 26) and that any provision for criminal offences would be better placed in the Trademark Law rather than the Customs Law. Customs is also of the view that it is crucial to its reform that the new legislative amendments be passed at the earliest opportunity. Customs has pushed hard for the legislation to be passed in the next parliamentary session. Any change to, or withdrawal of, the legislation could jeopardise its passage, and postpone reform indefinitely. This would not be a desirable result.

There are therefore two issues at stake here:

Does Jordanian legislation meet all the requirements of Article 4, clause 26 of the JUSFTA?

If not, is there an alternative way to deal with the problem that would not delay the passage of the legislation?

To assist USAID, through the AMIR Program, to resolve this issue, I have prepared an opinion on these issues. The opinion has been written on the basis of discussions held with Mohammad al-Jaloudi, the Director of the Legal Department in Customs, and Ms. Nancy Dababneh of IBLAW. These discussions were held in Amman on 24 and 25 May 2005.

The Opinion is attached at Attachment A.

In short it accepts the Customs view that the Customs Law itself is adequate for Customs to fulfil its border protection obligations under the FTA, and that any attempt to change the legislative package now could risk extensive delay in the passage of provisions that are crucial to the long-term reform of Customs. The question of Jordan's ability to prosecute criminal offences in relation to trademarks needs to be carefully considered by Government, with a view to determining which authority and what legislation is most appropriate to deal with this issue. It therefore recommends that USAID, through the AMIR Program, inform Customs that the legislation currently with the Legislation Bureau should be allowed to proceed without interference. It further recommends that the issue of prosecution for trademark offences needs to be considered separately.

Attachment A: Opinion

Part A. Issue 1: Does the Customs Law provide for ex officio action against IPR goods?

The Customs Law does not have extensive provisions on IPR protection. The key article is Article 41, which sets out the basis on which Customs may take measures. There are two bases.

The first is under the procedures set down in Article 41, Paragraphs A, B and C, which relate to the rights of the IPR holder to seek court action against counterfeit and pirated goods. These provisions are consistent with the TRIPS Agreement (WTO) and with the JUSFTA. But they are not the issue here.

The second is under Paragraph D of Article 41, which gives Customs the power to suspend clearance of IPR goods without any reference from the IPR holder. This is a clear statement that Customs has the power to act ex officio to suspend clearance of the goods. However, the power as expressed in Article 41 does not confer on Customs the right to institute criminal proceedings against the importer.

Article 41 is supplemented by Regulation 7 of 2000, which sets out the procedures to be followed once the goods have been suspended. This does not contain any provisions relating to prosecution, but gives detailed guidance on how goods that have been seized by Customs are to be dealt with.

Customs has more general powers under the Customs Law to seize prohibited imports. Prohibited imports are defined in Article 2 of the Customs Law as essentially those goods, which are prohibited by any law of the Kingdom from being in the Kingdom. On that basis, the copyright and trademark legislation become the sources of law in this regard. My understanding of both Laws is that they make it clear that goods, which breach copyright and trademark rights are prohibited in the Kingdom. If that is so, then it would be within the power of Customs to seize such goods at the border.

(There is also perhaps some guidance to be gained from past practice. It has, for example, been argued that Customs does not have the power to seize IPR goods in transit through the Kingdom. Nevertheless, there has been a successful seizure of counterfeit cigarettes transiting Jordan to Iraq, and there was no suggestion that Customs acted unlawfully in seizing the cigarettes before they left Jordanian territory.)

I agree with the view of IBLAW that the Customs Law does not provide a legal basis for the criminal prosecution of offences relating to trademarks. Nor does it provide power in relation to copyright. However, the Copyright Law does confer power on the National Library to institute criminal proceedings. No such power exists in the Trademarks Law and the Ministry of Industry and Trade is therefore in a different position from the National Library.

But it does not necessarily follow that the best way to close that loophole is to amend the Customs Law. In fact, it would appear more logical to amend the Trademark Law. However, how best to fix the loophole is a matter for the Government to decide and not a matter for a “quick fix” in the Customs amendments.

It is not surprising that the Customs Law does not contain criminal offences. It contains customs offences, which are essentially revenue-related. Offences relating to the importation of prohibited imports tend to be dealt with by Police using criminal law statutes. If the law of Jordan does not establish criminal offences in this regard, then it would appear more appropriate for the criminal law rather than the Customs Law to be amended.

On that basis, I am reasonably satisfied that the Customs Law provides sufficient power for Customs to seize goods in conformity with Article 4 of the JUSFTA. If the powers of the lead agencies (National Library and Ministry of Industry and Trade) are not sufficient for Jordan to meet its obligations under the JUSFTA, then it is their legislation that needs to be amended.

On this issue, I have concluded therefore that:

- Customs has the power to take ex officio seizure action against imported goods that are in breach of the IPR laws.
- Importers of goods in breach of the copyright law can be prosecuted by the National Library under that law.
- There is no legislative power to prosecute importers of goods in breach of the Trademarks Law.
- The Government needs to determine as a matter of policy whether the prosecution of importers of illegal trademarks goods is a matter to be dealt with by the Industrial Property Protection Directorate in the Ministry of Industry and Trade as the lead agency under the Trademark Law or by Customs under the Customs Law.
- Legislative change should follow the proper consideration of this issue by the Government, not precede it.

Part B Is there anything to be gained by delaying passage of the legislation?

Regardless of the analysis in Part A above, I would strongly urge against withdrawal of the current legislation package that is in the process of being put before the Parliament. My reasons are as follows.

The draft legislation covers a wide range of issues, all of which are fundamental to the reform of the Jordan Customs Department and the culmination of years of development and modernization. Many of these provisions - such as those dealing with binding rulings, electronic transactions, early lodgement of declarations and customs bonds – are significant steps towards customs procedures that are much more facilitative than currently exist. They are fully in accord with Government-wide moves to improve Jordan's trading position. They are, in Jordanian terms, revolutionary. Delay now could lead to indefinite delay and possibly the eventual loss of impetus to introduce reforms.

Second, the amendments are currently with the Legislation Bureau in the Office of the Prime Minister. It is likely that the Bureau will accept the recommendations and support the legislation when it refers it to the Prime Minister. There is a possibility that the King will convene an extraordinary session of Parliament in the summer, giving a very real prospect that the legislation could be passed soon. Given the crowded legislative agenda that the Parliament faces, this would be a significant achievement for Customs.

Withdrawal of the legislation from the process could put it at the back of the queue, and potentially delay it not only beyond the Extraordinary Sitting (if it happens) but beyond the Autumn Sitting, which is scheduled for October/November. There is therefore a very real risk that delay now could cause a significant blow-out in timing for the legislation as a whole. It would be most unfortunate to lose all the benefits of the new legislation because of (unclear) concerns about one aspect of the legislation.

Third, it is also very important to note that the former Director General took a strong personal interest in the amendments and pushed for the Legal Department to take a more facilitative approach to the reforms – including putting his personal weight behind reforms that USAID, through the AMIR Program, had pushed with Customs. It would be most unfortunate if USAID were now to advocate the withdrawal of the legislation – and certainly to do so without the support of the Director General would be damaging.

It is therefore my considered opinion that:

- There is a real prospect that the legislation now with the Legislation Bureau could pass the Parliament in the middle of this year and come into force by the end of 2005
- Withdrawing the legislation now could risk delaying its eventual passage for so long that the impetus for reform could be lost.
- To urge withdrawal of the legislation now would cause a loss of confidence in USAID within the Jordan Customs Department.

I am therefore of the opinion that USAID, through the AMIR Program, should advise Customs that the legislation should go ahead in its present form.

(M. Harrison)
Legal Consultant
31 May 2005